

PORTER TOWNSHIP  
VAN BUREN COUNTY, MICHIGAN

Report on Audit of Financial Statements  
For the Year Ended  
June 30, 2004

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>Porter Township</b>	County <b>Van Buren</b>
Fiscal Year End <b>6-30-06</b>	Opinion Date <b>11-13-06</b>	Date Audit Report Submitted to State <b>12-19-06</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

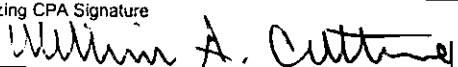
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>Cutting &amp; Cutting, P.C.</b>		Telephone Number <b>269-657-4720</b>	
Street Address <b>303 Paw Paw Street</b>		City <b>Paw Paw</b>	State Zip <b>MI 49079</b>
Authorizing CPA Signature 		Printed Name <b>William A. Cutting</b>	License Number <b>1938</b>

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WILLIAM A. CUTTING  
BRUCE T. CUTTING

TELEPHONE  
269-657-4720

November 13, 2006

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Porter Township  
Van Buren County, Michigan

We have audited the accompanying financial statements of Porter Township as of June 30, 2004, and for the year then ended. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Porter Township, as of June 30, 2004, or the changes in its financial position for the year then ended.

*Cutting & Cutting, P.C.*

COMBINED BALANCE SHEET-CASH BASIS-ALL FUND TYPES  
PORTER TOWNSHIP  
June 30, 2004

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Current Tax Fund</u>	
Assets				
Cash and equivalents	\$ 414,738		\$ 358	\$ 415,096
Due from other funds	<u>358</u>	\$ <u>304,299</u>	<u></u>	<u>304,657</u>
	\$ <u>415,096</u>	\$ <u>304,299</u>	\$ <u>358</u>	\$ <u>719,753</u>
Liabilities and Fund Balance				
Due to other funds	\$ 304,299			\$ 304,299
Due to other governmental units	<u>436</u>			<u>436</u>
Total liabilities	304,735			304,735
Restricted fund balance	2,260			2,260
Unrestricted fund balance	<u>108,101</u>	\$ <u>304,299</u>	\$ <u>358</u>	<u>412,758</u>
Total fund balance	<u>110,361</u>	<u>304,299</u>	<u>358</u>	<u>415,018</u>
	\$ <u>415,096</u>	\$ <u>304,299</u>	\$ <u>358</u>	\$ <u>719,753</u>

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE-CASH BASIS-ALL FUND TYPES  
PORTER TOWNSHIP  
Year ended June 30, 2004

	Governmental Fund Types		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Revenues			
Taxes and administration fees	\$ 101,841	\$ 167,114	\$ 268,955
Licenses and permits	39,676		39,676
Intergovernmental	174,503		174,503
Interest	7,027		7,027
Miscellaneous and other	5,857		5,857
Special assessment	<u>115,269</u>		<u>115,269</u>
	444,173	<u>167,114</u>	611,287
Expenditures			
General government	111,296		111,296
Public safety	43,180	59,177	102,357
Highways and streets	207,964		207,964
Lake treatment	63,092		63,092
Other	<u>50</u>		<u>50</u>
	<u>425,582</u>	<u>59,177</u>	<u>484,759</u>
Excess of revenues over expenditures	18,591	107,937	126,528
Beginning fund balance	<u>91,770</u>	<u>196,362</u>	<u>288,132</u>
Ending fund balance	\$ <u>110,361</u>	\$ <u>304,299</u>	\$ <u>414,660</u>

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL-CASH BASIS-GENERAL AND SPECIAL REVENUE FUNDS  
PORTER TOWNSHIP  
Year ended June 30, 2004

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues						
Taxes and administration fees	\$ 105,195	\$ 101,841	\$ (3,354)	\$ 165,000	\$ 167,114	\$ 2,114
Licenses and permits	33,540	39,676	6,136			
Intergovernmental	174,736	174,503	(233)			
Charges for services	2,800	2,385	(415)			
Interest	3,000	7,027	4,027			
Other	2,626	3,472	846			
Special assessment	25,000	115,269	90,269			
	346,897	444,173	97,276	165,000	167,114	2,114
Expenditures						
General government	107,801	111,296	(3,495)			
Public safety	35,910	43,180	(7,270)	59,177	59,177	
Lake treatment	20,000	63,092	(43,092)			
Highways and streets	200,000	207,964	(7,964)			
Other	500	50	450			
	364,211	425,582	(61,371)	59,177	59,177	
Excess of revenues over expenditures	\$ (17,314)	18,591	\$ 35,905	\$ 105,823	107,937	\$ 2,114
Beginning fund balance		91,770			196,362	
Ending fund balance		\$ 110,361			\$ 304,299	

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS  
PORTER TOWNSHIP  
June 30, 2004

1. Summary of significant accounting policies

The accompanying financial statements have been prepared using the cash basis of accounting.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the financial statements of the Township include the accounts of all Township operations. The Township's major operations include fire protection, planning and zoning, road maintenance, cemetery, and general administrative services. The Township has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Township.

The Township of Porter participates in joint fire operations with the Lawton Fire Board.

B. Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

GOVERNMENTAL FUNDS

General Fund - The general fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.



C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and fiduciary funds are accounted for using the cash basis of accounting. Their revenues are recognized when the cash is received. Expenditures are recognized when the cash is disbursed.

D. Budgets and Budgetary Accounting

The Township prepares a budget and an annual budget hearing is held. The unfavorable budget variances are shown in the financial statements.

E. Total Columns on Combined Statements-Overview

Total columns on the Combined Statements-Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operation, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

F. Cash Equivalents

The Township considers all highly liquid debt instruments purchased with maturity date of three months or less to be cash equivalents.

2. Property Taxes

The Township property tax is levied on each December 1 on the taxable value of property located in the Township as of the preceding December 31.

The Township's 2003 ad valorem tax was levied on December 1, 2003 and is recognized as income during the budget year beginning July 1, 2003 and ending June 30, 2004. The Township bills and collects its own property taxes and also taxes for the local school districts and various other governmental units. The collection and remittance of the taxes are accounted for in the Current Tax Fund. Uncollected real property taxes at February 28 are returned delinquent to the County. The collection of unpaid personal property taxes becomes the responsibility of the Township Treasurer.

The Township is permitted to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental services and \$2.00 per \$1,000 of assessed valuation for fire protection. The combined tax rate to finance general governmental services and fire protection for the year ended June 30, 2004, was \$2.6730 per \$1,000 of assessed valuation, consisting of .7463 mills for operating and 1.9267 mills for fire protection.

3. Risk Management

In lieu of purchasing commercial insurance for the risk of losses to which it is exposed, the Township Board has chosen to participate in the Michigan Township Participating Plan (MTPP).

The MTPP was created pursuant to the authority of (a) Article 7, section 28, Michigan Constitution of 1963; (b) Section 1, chapter 124, Michigan Compiled Laws (P.A. No. 35, 1951, as amended by P.A. No. 138, 1982). The Township voted unanimously to enter into this cooperative action agreement April 9, 1986 and have continued their membership since.

MTPP services all claims for risk of loss to which the Township is exposed, including those risks selected in the declaration sheet and specifically described in the coverage forms and endorsement schedules attached to and made part of this plan. MTPP allocates the cost of providing claims servicing and claims payment

by charging a "contribution/payment" to each municipal corporation as defined in P.A. 138, 1982, that becomes a member. This charge considers recent trends in actual claims experience of the members as a whole and makes provisions for catastrophe losses.

MTPP liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not yet reported. But no debt, liabilities or obligation is the debt, liability or obligation of any member of the plan.

Under this participation contract the MTPP provides coverage for up to a maximum of \$2,000,000 for general liability coverage, \$2,000,000 for errors and omissions, \$490,000 for property damage, \$10,000 for crime and \$12,500 for inland marine.

Accident Fund of Michigan holds the workmen's compensation policy.

4. Cash and Investments

State statutes authorize the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township's deposits and investments are in accordance with statutory authority.

Cash consists of checking and savings account deposits at a local bank.

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>GASB Category of Risk</u>
Insured (FDIC)	\$ 190,124	\$ 190,124	(1)
Uninsured	\$ 224,972	\$ 282,396	(3)

Category 1 is insured or registered.

Category 3 is uninsured or unregistered.

5. Restricted Fund Balance

The restricted fund balance in the General Fund is the accumulated excess of liquor license refunds over the amounts spent for liquor inspections.

6. Interfund receivables and payables at June 30, 2004:

	<u>Receivable</u>	<u>Payable</u>
General Fund		
Current Tax Fund	\$ 358	
Fire Protection Fund		\$ 304,299
Current Tax Fund		
General Fund		358
Fire Protection Fund		
General Fund	<u>304,299</u>	<u>          </u>
	\$ <u>304,657</u>	\$ <u>304,657</u>

BALANCE SHEET-CASH BASIS  
GENERAL FUND  
PORTER TOWNSHIP  
June 30

	<u>2004</u>	<u>2003</u>
Assets		
Cash and equivalents	\$ 414,738	\$ 287,260
Due from other funds	<u>358</u>	<u>872</u>
	\$ <u>415,096</u>	\$ <u>288,132</u>
Liabilities and Fund Balance		
Due to other funds	\$ 304,299	\$ 196,362
Due to State of Michigan	<u>436</u>	
Total liabilities	304,735	<u>196,362</u>
Restricted fund balance	2,260	1,884
Unrestricted fund balance	<u>108,101</u>	<u>89,886</u>
Total fund balance	<u>110,361</u>	<u>91,770</u>
	\$ <u>415,096</u>	\$ <u>288,132</u>

STATEMENT OF CHANGES IN FUND BALANCE  
Years ended June 30

	<u>2004</u>	<u>2003</u>
Revenues	\$ 444,173	\$ 355,264
Expenditures	<u>425,582</u>	<u>430,781</u>
Excess of revenues over expenditures	18,591	(75,517)
Beginning fund balance	<u>91,770</u>	<u>167,287</u>
Ending fund balance	\$ <u>110,361</u>	\$ <u>91,770</u>

STATEMENT OF REVENUES-BUDGET AND ACTUAL-CASH BASIS  
GENERAL FUND  
PORTER TOWNSHIP  
Years ended June 30

		<u>2004</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>2003</u>
Property taxes	\$ 68,988	\$ 71,734	\$ 2,746	\$ 62,187
Administration fees	36,207	30,107	(6,100)	29,536
Licenses and permits	33,540	39,676	6,136	38,777
State shared revenues	174,736	174,503	(233)	183,903
Charges for services				
Cemetery	2,800	2,385	(415)	2,150
Special assessment	25,000	115,269	90,269	27,599
Interest	3,000	7,027	4,027	6,961
Miscellaneous	<u>2,626</u>	<u>3,472</u>	<u>846</u>	<u>4,151</u>
	\$ <u>346,897</u>	\$ <u>444,173</u>	\$ <u>97,276</u>	\$ <u>355,264</u>

STATEMENT OF EXPENDITURES-BUDGET AND ACTUAL-CASH BASIS  
GENERAL FUND  
PORTER TOWNSHIP  
Years ended June 30

		<u>2004</u>	Variance Favorable (Unfavorable)	
	<u>Budget</u>	<u>Actual</u>		<u>2003</u>
General Government				
Township Board	\$ 33,190	\$ 41,792	\$ (8,602)	\$ 26,080
Supervisor	8,920	8,820	100	8,400
Clerk	8,620	8,570	50	7,788
Board of review	350	668	(318)	465
Treasurer	18,020	18,291	(271)	12,785
Assessor	18,680	18,971	(291)	18,210
Election	6,125	235	5,890	5,042
Township hall	7,096	5,076	2,020	6,754
Cemetery	<u>6,800</u>	<u>8,873</u>	<u>(2,073)</u>	<u>5,485</u>
	107,801	111,296	(3,495)	91,009
Inspection services	26,410	33,519	(7,109)	31,911
Lake treatment	20,000	63,092	(43,092)	12,889
Highways and streets	200,000	207,964	(7,964)	285,207
Planning and zoning	9,500	9,661	(161)	9,382
Other	<u>500</u>	<u>50</u>	<u>450</u>	<u>383</u>
	\$ <u>364,211</u>	\$ <u>425,582</u>	\$ <u>(61,371)</u>	\$ <u>430,781</u>

BALANCE SHEET-CASH BASIS  
FIRE PROTECTION FUND  
PORTER TOWNSHIP  
June 30

	<u>2004</u>	<u>2003</u>
Assets		
Due from General Fund	\$ <u>304,299</u>	\$ <u>196,362</u>
Liabilities and Fund Balance		
Fund balance	\$ <u>304,299</u>	\$ <u>196,362</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL-CASH BASIS  
Years ended June 30

	<u>2004</u>			
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>2003</u>
Revenues				
Property taxes	\$ 165,000	\$ 167,114	\$ 2,114	\$ 153,853
Expenditures				
Salaries and wages	619	619		780
Fire protection	<u>58,558</u>	<u>58,558</u>		<u>45,722</u>
	<u>59,177</u>	<u>59,177</u>	<u>          </u>	<u>46,502</u>
Excess of revenues over expenditures	\$ <u>105,823</u>	107,937	\$ <u>2,114</u>	107,351
Beginning fund balance		<u>196,362</u>		<u>89,011</u>
Ending fund balance		\$ <u>304,299</u>		\$ <u>196,362</u>

BALANCE SHEET-CASH BASIS  
CURRENT TAX FUND  
PORTER TOWNSHIP  
June 30

	<u>2004</u>	<u>2003</u>
Assets		
Cash	\$ <u>358</u>	\$ <u>1,845</u>
Liabilities		
Due to other funds	\$ 358	\$ 872
Due to State of Michigan	<u>          </u>	<u>973</u>
	\$ <u>358</u>	\$ <u>1,845</u>

STATEMENT OF RECEIPTS AND DISBURSEMENTS-CASH BASIS  
Years ended June 30

	<u>2004</u>	<u>2003</u>
Receipts		
Property taxes	\$ 2,741,763	\$ 2,717,950
Industrial facility taxes	3,948	9,257
Administration fees	27,703	27,387
Special assessments	28,348	25,546
Overpayments	9,775	13,350
Interest	<u>1,911</u>	<u>1,685</u>
	2,813,448	2,795,175
Disbursements		
General Fund	116,272	107,505
Fire Fund	149,821	138,236
Van Buren County	910,216	935,932
Van Buren District Library	70,930	69,015
Lawton Community Schools	990,071	946,329
Marcellus School	131,242	125,050
Lake View Community Hospital	405,585	29,423
Van Buren Intermediate School	31,023	398,995
Lewis Cass Intermediate School	<u>9,775</u>	<u>29,533</u>
Refunds	<u>2,814,935</u>	<u>2,793,368</u>
	\$ <u>(1,487)</u>	\$ <u>1,807</u>

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November 13, 2006

Members of the Township Board  
Porter Township  
Van Buren County, Michigan

The audit work necessary to express an opinion on the financial statements of Porter Township included a review of the Township's accounting procedures and the related internal controls. As a result of this review we offer comments and recommendations for your consideration.

Building Department Fund

The State of Michigan requires a Building Department Fund to account for inspection revenues and expenditures. The township does not have this fund.

Segregation of Duties

The duties of the Treasurer involve collecting monies, issuing receipts, making deposits and reconciling the bank statement. Because of this there is not proper segregation of duties. However, this is common in small governmental units.

Minutes

The Township clerk is responsible for maintaining a minute book that contains the minutes of all meetings. This is not being done.

Timing

The State of Michigan requires that audit reports be submitted within six months after the unit's year-end. Accordingly, it is important that the records be furnished to the auditor in a timely fashion.

The above comments are submitted to you to develop good accounting procedures and are not intended to reflect upon the performance of any individual.

*Cutting & Cutting, P.C.*